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TAGS: [EMIN](#) [ETRD](#) [PGOV](#) [PREL](#) [BM](#) [TH](#)  
SUBJECT: ORIGIN OF THAI RUBY EXPORTS HARD TO DOCUMENT

REF: A) RANGOON 61 (Financing the Regime with Jade, Not Gems)  
[B](#). RANGOON 62 (Auctioning off Burma's Riches)  
[C](#). RANGOON 750 (Burmese Gem and Jade Exports on the Rise)  
[D](#). BANGKOK 5927 (Thai Gem Industry Believes Anti-Burma Legislation Would Do More Harm Than Good)  
[E](#). BANGKOK 6239 (A Burmese Rock Becomes a Thai Ruby)  
[F](#). CHIANG MAI 114 (Thai Market Turns to African Rubies as Smuggling of Burmese Stones Declines)

[1](#). (SBU) Summary. Thai jewelry dealers say that while African rubies are increasingly imported for processing in Thailand, the rubies headed for the U.S. market have traditionally been higher quality stones that are likely to have come from Burma. Rubies are typically shipped to the United States in small express-mail envelopes on an as-needed basis. Most of the raw stones currently in Thai inventories have no documentation as to their country of origin. Ruby prices have dropped 15-20 percent in the past month, but Thai dealers believe that drop may largely be due to global financial uncertainty. Once current inventories are sold and the full impact of implementation of the JADE Act has been felt, Thai jewelry dealers will have a better idea of the JADE Act's effect on prices. End summary.

[2](#). (SBU) Comment. Thai jewelers do not yet seem to have come to grips with the implications of the JADE Act for their industry. In our conversations this past week with both the Chantaburi Gem and Jewelry Traders Association (CGJTA) and the Thai Gem and Jewelry Traders Association (TGJT), which together represent the majority of large Thai jewelry dealers and processors, Thai dealers seem to be clinging to a hope that the JADE Act might somehow be altered or struck off the books, instead of focusing on ways to document their rubies' country of origin. The two organizations believe that the JADE Act hurts Thailand far more than the Burmese government and that fact should cause the U.S. to re-think implementation of the law. Once Thai jewelry dealers face strict enforcement of the JADE Act, it seems inevitable they will try to ship higher quality rubies to non-U.S. markets and sell documented African rubies to the U.S. market. (Note: Gem and jewelry exports from Thailand totaled \$5.6 billion in 2007, Thailand's fifth largest export by value. Of that amount approximately \$935 million went to the U.S. Thai customs data is not precise enough to determine how much of that was rubies or jewelry that contains rubies.) End comment.

Where Rubies Come From and Where They Go

[3](#). (SBU) Sales to the United States account for 25-30 percent of Thai jewelers' ruby market according to the TCJTA and CGJTA. Most rubies going to the U.S. probably originate in Burma, but precise figures are unknown since to this point no particular attention has been paid to the origin of raw stones that come into Thailand for treating, heating, cutting and polishing. (See ref E.) This processing typically multiplies many times over the value of the raw stones, and Thai craftspeople have all but cornered the market on the specialized skills involved with Burmese as opposed to African

rubies. Mr. Phuket Khunprapakorn, Secretary General of CGJTA, told us that Burmese rubies tend to be of higher quality and value than African rubies and that quality makes them the ruby of choice in the U.S. market. Currently, African rubies tend to be sold to other Asian countries. Gem merchants along the Burma-Thailand border reported similar views.

¶4. (SBU) In recent years, African gems have gained an increasing foothold in Thailand (see ref F.) According to Thai customs statistics---keeping in mind the numbers do not reflect smuggled Burmese goods---Thailand was already importing more gems from Tanzania than from Burma in the first half of 2008, before the U.S. JADE Act was passed. Apart from the official customs data, TGJTA claims 80 percent of the rubies they import come from Madagascar, Kenya, Tanzania, Nigeria, India, and Brazil with the remaining 20 percent from Burma.

¶5. (SBU) Mr. Vichai Assarasakorn, President of TGJTA, and Mr. Anthony Brooke, First Deputy Director of Public Relations for TGJTA, claim most Burmese rubies in Thailand are smuggled across the porous Burmese-Thai border and are sold at markets in Mae Sai and Mae Sot. However, comments from ruby vendors in these border towns suggest that the Burmese government has been tightening control over high-quality rubies mined in Burma, reducing both the quality and number of stones smuggled into Thailand. Vendors have told us that they are increasingly dealing in African rubies because of lower cost. (see ref F.)

¶6. (SBU) The TGJTA says there is no standard practice with regard to how rubies are shipped to the United States. However, in general, dealers mail their goods via commercial airfreight, often using

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express mail services. Dealers package unset rubies in business-size envelopes and place these envelopes inside larger flat or padded envelopes. TGJTA states that companies mail shipments on an as-needed basis. Larger dealers may ship once or twice a month while smaller dealers may ship goods every few months. Less frequently, American buyers come to Bangkok to purchase directly and hand-carry the products home. Rubies exported from Thailand are generally sold loose but may be set into jewelry as a finished product such as a necklace or ring prior to shipment.

#### Small Market for Jade

¶7. (SBU) The TGJTA says Thailand is no longer a major player in Burmese jade as Chinese have taken over the field. In addition, only a small portion of jade exported from Thailand is bound for the U.S. market. TGJTA claims approximately \$12 million worth of jade was exported to America in 2007. The majority of this jade was finished jade that originated from Hong Kong. A large jade dealer in Chiang Mai supported this statement, claiming his business is moving away from Burmese jade in favor of procuring raw material from Hong Kong.

#### Thai Dealers say they rarely buy from Burmese Auctions

¶8. (SBU) While CGJTA and TGJTA claim their members do not as a practice purchase rubies at Burmese government auctions, many readily acknowledge having participated in them out of curiosity. According to CGJA and TGJTA members, the Burmese auction organizers send out invitations by various methods, including advertising the upcoming sales in newsletters and sending emails. Lists of stock to be sold are distributed and passed informally among jewelers in Thailand. CGJA and TGJTA say that anyone can attend the auctions so long as they register in advance and paid a registration fee. Transactions at the auctions are conducted in Euros and to purchase a lot, one has to pay ten percent down with the remainder being paid on delivery of the goods. One vendor we spoke with did admit to purchasing at Burmese emporiums once or twice a year, bringing back mainly polished loose stones.

#### The Price of Rubies

¶9. (SBU) CGJA and TGJTA members say the price of Burmese rubies has dropped 15-20 percent over the last month. However, they believe the current global financial crisis may be the main cause for the price drop. CGJA notes that they will better be able to determine the effect of the JADE Act on the price of rubies in about three months when jewelers hope to have cleared their existing stock of Burmese

rubies and start purchasing more inventory.

¶10. (SBU) CGJTA and TGJT claim their members have over \$40 million worth of Burmese rubies already in Thailand, much of it intended for the U.S. market. They note jewelers have no documents attesting to the current inventory's country of origin. If forced to provide a paper trail demonstrating a ruby's country of origin, some members of TGJT believe that jewelers may seek to obtain fraudulent documents.

¶11. (U) Consulate Chiang Mai and the United States Customs and Border Protection cleared this cable.